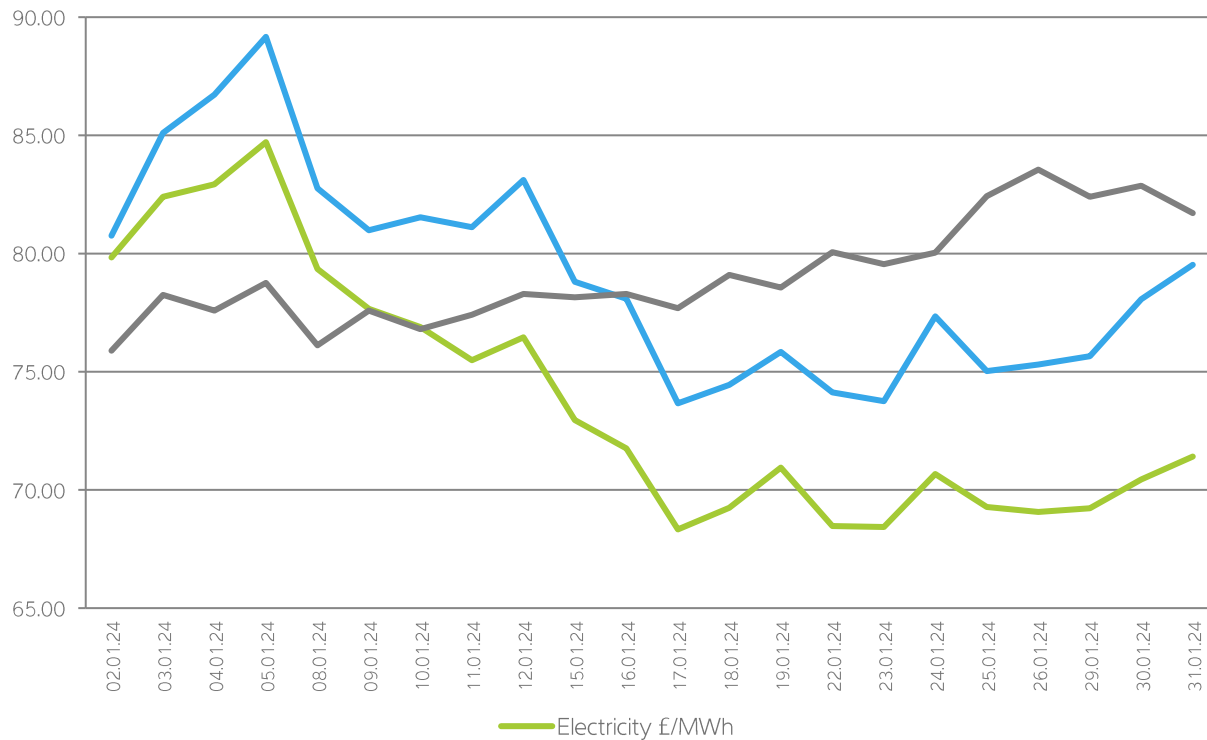


Monthly Market Update

January 2024

UK Wholesale Energy Prices



After a few bullish days at the start of January electricity and gas prices continued the decline that we saw through most of December including quite steep losses towards the middle of the month. However, electricity and gas prices then started to take a similar route to the oil market with the latter half of the month seeing risk premium gradually added back into all three commodities.

The losses we saw on the lead up to mid-January were driven by forecasts for mild and windy weather coupled with a busy LNG import schedule. We did see a surge in demand at the start of January due to cooler conditions and net gas exports however relatively full EU gas storage had prevented the demand surge from pushing prices up with sites now just over 70% full which is roughly 14% higher than the 5-year average.

However, as you can see on the graph prices have started to edge up since mid-January and a lot of this is down to nervousness around the potential for wider Middle East conflict amid the unrest that we are seeing particularly on the route that leads to the Suez Canal. So far, the main impact of the spiralling tensions in the Red Sea has been the decision by Qatar to reroute LNG cargoes heading to Europe away from the Suez Canal, adding 10 to 12 days to shipping times. This has not directly affected the UK as it stands but it will have added a degree of risk premium to prices should the current levels of LNG imports start to fall.

Longer term weather forecasts seem to predict a period of below average temperatures expected in the UK for three weeks starting from Monday 19th February. This could also be another reason as to why prices are firming up at the moment and this could lead us to heavier rates of gas withdrawals which would then have a knock-on effect for next winter as heavier levels of storage injections would be required over summer 2024.

The situation in the Middle East has injected some strength into oil markets as well with the price per barrel pushing above \$83 at one point which the first time this threshold has been breached since November last year. Oil prices have also been propped up by predictions that China's oil demand would increase by around 530,000 barrels per day in 2024.